
HOUSE RESOLUTION

REQUESTING THE GOVERNOR TO CONVENE A WORKING GROUP TO EXPLORE
RISK TRANSFER OPPORTUNITIES IN THE EVENT OF A SEVERE
DISASTER.

1 WHEREAS, the Hawaii Hurricane Relief Fund stopped writing
2 hurricane insurance in 2002 and has since been operationally
3 dormant; and
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5 WHEREAS, the Hawaii Hurricane Relief Fund has a reserve in
6 the amount of approximately \$183,000,000, which is invested in
7 bonds and the interest income of which is transferred annually
8 to the general fund; and
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10 WHEREAS, the Hawaii Hurricane Relief Fund will reenter the
11 market in response to a future scarcity in hurricane insurance
12 that may arise after a severe hurricane; and
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14 WHEREAS, if the Hawaii Hurricane Relief Fund redeploys in
15 the market, it will face a large potential property loss
16 exposure in the tens of billions of dollars in the event of a
17 severe hurricane; and
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19 WHEREAS, a severe hurricane would also create significant
20 economic loss for the public, businesses, and government in
21 Hawaii; and
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23 WHEREAS, the Hawaii Hurricane Relief Fund was designed to
24 handle a moderate hurricane loss comparable to Hurricane Iniki's
25 striking of Kauai, but in fact it faces potential losses far in
26 excess of its funding capacity; and
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28 WHEREAS, the Hawaii Hurricane Relief Fund has in the past
29 explored reinsurance risk transfer options under which a
30 significant amount of money could be paid into the Fund in the
31 event of a severe hurricane, thus further capitalizing the
32 reserve for the benefit of the people of Hawaii; and



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2 WHEREAS, the Hawaii Hurricane Relief Fund did not pursue
3 such risk transfer options in the past because it did not want
4 to spend down principal for that purpose; and
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6 WHEREAS, the concept of risk transfer is different from
7 debt financing in that long-term liabilities are not created for
8 the Hawaii Hurricane Relief Fund or the State of Hawaii; and
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10 WHEREAS, the Hawaii Hurricane Relief Fund could benefit
11 from a transaction to increase capitalization of its reserve and
12 therefore should explore current risk transfer options and
13 consider whether to enter into such a transaction; now,
14 therefore,
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16 BE IT RESOLVED by the House of Representatives of the
17 Twenty-eighth Legislature of the State of Hawaii, Regular
18 Session of 2015, that the Governor is requested to convene a
19 working group that includes the State Sustainability Coordinator
20 and representatives from the Hawaii Hurricane Relief Fund to
21 explore risk transfer opportunities that could increase moneys
22 available in the event of a severe disaster; and
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24 BE IT FURTHER RESOLVED that the Governor, through the
25 working group, submit findings and recommendations, including
26 any proposed legislation, to the Legislature not later than
27 twenty days prior to the convening of the Regular Session of
28 2016; and
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30 BE IT FURTHER RESOLVED that certified copies of this
31 Resolution be transmitted to the Governor, the Chairperson of
32 the Board of Directors of the Hawaii Hurricane Relief Fund, the
33 Insurance Commissioner, and the State Sustainability
34 Coordinator.
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OFFERED BY:



MAR 13 2015

